EFFECTIVE BOARD DECISION MAKING

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The Triangle Companies

An Effective Board Decision Making Process

• All board members contribute to the effectiveness of each and every board meeting.
• Chairman organizes the meeting to allow participation, debate and decision as well as manage conflict and problems.
• The board works with management to anticipate and provide the information needed for decisions.
• New members are oriented as to the processes used by the board.
• Multiple tools are used in choosing the best solution to a problem.

The Top Function Of The Board Of Directors Is To Make Good Decisions That Are Best For The Cooperative And Its Members.
DIFFERENT TYPES OF DECISIONS

• Strategic
• Tactical
• Operational

STRATEGIC DECISIONS

• Provide the cooperative with a general direction
• Determines long-term goals and values
• Includes the especially important or risky decisions
• Decisions that involve large investments
• These decisions tend to be more broad

STRATEGIES:
• A board retreat is a good environment in which to make strategic decisions and build consensus.

TACTICAL DECISIONS

• Planning decisions that support strategic decisions
• Effective in a medium range time frame
• Consequences and costs are less severe than those of strategic decisions, but more severe than operational

STRATEGIES:
• Knowledge is Power: Anticipate information needs and ask discerning questions before making a decision
• Make timely decisions and move on
<table>
<thead>
<tr>
<th>OPERATIONAL DECISIONS</th>
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</thead>
<tbody>
<tr>
<td><strong>The detailed daily decisions that run the business</strong></td>
</tr>
<tr>
<td><strong>Have an immediate impact on the business</strong></td>
</tr>
<tr>
<td><strong>Low cost, low risk</strong></td>
</tr>
<tr>
<td><strong>Consequences and costs are minimal</strong></td>
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<table>
<thead>
<tr>
<th>STRATEGIES:</th>
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<tbody>
<tr>
<td><strong>Primarily the responsibility of management</strong></td>
</tr>
<tr>
<td><strong>Should support policies and goals of the cooperative.</strong></td>
</tr>
<tr>
<td><strong>Can be set as a standard operating procedure</strong></td>
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<table>
<thead>
<tr>
<th>Goldilocks and the Three Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One board is too weak</strong></td>
</tr>
<tr>
<td><strong>One board is too strong</strong></td>
</tr>
<tr>
<td><strong>This board is just right</strong></td>
</tr>
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*Strength in decision making determines a board’s success*

<table>
<thead>
<tr>
<th>THE TOUGH ONES</th>
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<tbody>
<tr>
<td><strong>Close an unprofitable facility.</strong></td>
</tr>
<tr>
<td><strong>Invest in major renovations.</strong></td>
</tr>
<tr>
<td><strong>Merge with another cooperative</strong></td>
</tr>
<tr>
<td><strong>Discontinue operations.</strong></td>
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*Every Co-op Faces Tough Decisions*
Questions to Ask Yourself in Making a Tough Decision

• What can we afford?

• What will happen if we do or don’t make this decision?

• What will be the impact on members, employees, and the community.

STRATEGIES WHEN MAKING TOUGH DECISIONS

• DISCUSS the issue with members and employees.

• CONSIDER your mission and long-range plans

• REINFORCE the mission and goals

• TALK with other directors who have faced similar situations and find out what they did

• ACT like a director, not a producer, and make the best decision for the co-op

PROBLEMS IN DECISION MAKING

• “THE PROBLEM CHILD”

• TIME USAGE

• CONFLICT AMONG THE BOARD
“THE PROBLEM CHILD”
BEHAVIOR PROBLEMS IN THE BOARD ROOM

• Members dominating discussions
• Arguing just to have their own way
• Being disrespectful to other members
• Making “below the belt” comments

DEALING WITH PROBLEM BEHAVIOR

• Set ground rules for discussion and enforce these rules
• Encourage full board participation
• Separate the issues and address them one at a time
• Model good behavior in yourself
• Take a “time out” from touchy topics if discussion gets heated
• When discussion resumes, summarize what was said and note areas of agreement

TIME USAGE

Do
• Encourage effective discussions
• Make an agenda and stick to it

Don't
• Allow discussion to veer off course
• Deviate to far off of the agenda
• Spend too much time on one decision
80/20 RULE

“THE TRIVIAL MANY” Decisions Will Take Up 80% Of Your Time And Yield 20% Of The Results

“THE VITAL FEW” Decisions Will Take Up 20% Of Your Time And Yield 80% Of The Results

TIME EFFICIENCY TRAPS!

• Opinion Trap!
• Information Trap!
• Committee Trap!
• Policy Trap!

DON’T GET TRAPPED IN YOUR BOARD MEETING!

BOARD CONFLICT

• Conflict is a normal part of team decision making
• Dissent may be a sign that the board has drifted off course and must be brought back.
• Disagreements have the potential to add information and perspective
• Too much conflict can cripple board effectiveness
CAUSES OF CONFLICT

- INFORMATION OR INTERPRETATION
- LACK OF INFORMATION
- VALUES
- PROCESS
- PEOPLE
- PERSONALITIES
- ACTIONS

DEALING WITH CONFLICT IN DECISION MAKING

- Distinguish between “healthy dissent” and “crippling conflict”
- Start with an assumption of a common goal
- Discuss broader issues
- Identify areas of agreement
- Clarify points of view
- Consider the evidence of BOTH or ALL sides before committing yourself to a position.

IMPROVING BOARD DECISIONS
TOOLS FOR BETTER DECISIONS

• Pro-Con Chart
• Matrix Assessment
• Outside Consultant

PRO-CON CHART

• Ensures that all advantages and disadvantages are discussed
• Encourages the board to consider both sides before committing themselves
• Board works as collaborators summarizing information rather than competitive debaters.

Example Pro-Con Chart

<table>
<thead>
<tr>
<th>RENOVATE THE OLD ELEVATOR INSTEAD OF BUILDING A NEW STEEL TANK</th>
<th>PROS</th>
<th>CONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shorter time to completion</td>
<td></td>
<td>Higher per/bushel costs</td>
</tr>
<tr>
<td>Retain segregation potential</td>
<td></td>
<td>Slower throughput speed</td>
</tr>
<tr>
<td>Easier to monitor grain condition</td>
<td></td>
<td></td>
</tr>
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MATRIX ASSESSMENT

• Separates complex decisions into components

• Clarifies the trade-offs

THIS IS YOUR PERSONAL ASSESSMENT OF THE DIFFERENT ASPECTS OF A SITUATION.

<table>
<thead>
<tr>
<th></th>
<th>Renovate Elevator</th>
<th>Build New Tank</th>
<th>Rent seasonal</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST</td>
<td>-</td>
<td>-</td>
<td>++</td>
</tr>
<tr>
<td>TIME</td>
<td>--</td>
<td>-</td>
<td>--</td>
</tr>
<tr>
<td>LONG RUN EFFICIENCY</td>
<td>++</td>
<td>++</td>
<td>-</td>
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WORKING WITH OUTSIDE CONSULTANTS

• Consultants often identify options not previously considered.
• The board still holds the responsibility for the final decision.
• Consultants are a tool for better decisions not easier decisions.
Use of Consultants Today in Oklahoma Cooperatives

Written Reports Submitted to the Board

<table>
<thead>
<tr>
<th></th>
<th>%</th>
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<tbody>
<tr>
<td>Board Sub-Committee</td>
<td>10</td>
</tr>
<tr>
<td>Manger or Staff</td>
<td>45</td>
</tr>
<tr>
<td>Outside Consult.</td>
<td>38</td>
</tr>
<tr>
<td>No Written Reports Used</td>
<td>7</td>
</tr>
<tr>
<td>Written Reports Submitted to the Board</td>
<td>7%</td>
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WHEN TO BRING IN A CONSULTANT

• WHEN the problem falls outside the company’s technology, experience and activity
• WHEN the problem calls for impartiality and objectivity
• WHEN the board needs information that is not readily available to them
• WHEN a problem persists which management has tried to resolve and failed

CRITERIA FOR SELECTING CONSULTANTS

• Expertise
• Training
• Background
• Style fits your culture
• References
• Check with former clients
WORKING WITH THE CONSULTANT

- Define The Goals
- Define The Scope Of The Project
- Specify The On-site Work
- Specify Follow-up
- Specify Costs
- Specify Deliverables
- Provide A Contact Person
- Provide Detailed Information
- Provide Support Staff

AFTER THE CONSULTANT LEAVES

- Discuss the consultant’s recommendation
- Discuss any new options or information uncovered by the consultant
- Determine whether to implement the recommendation
- If the recommendation is to be accepted, the sooner the better

A STRONG BOARD AND A STRONG MANAGER:

A WINNING TEAM!