



Guiding Cooperatives to Excellence



Agricultural cooperatives are undergoing, if not a sea change, some significant waves and troughs.

Commodity prices, which were at record highs four years ago, are dropping, input costs and land values remain high, and profit margins are shrinking; at the same time, global trade influences, domestic political uncertainty and discussions about the next Farm Bill

loom. Achieving and maintaining success in this complex environment will require strategic thinking and the courage to make difficult decisions.

“The cooperative environment is much more complex than even 15 years ago, and with technology making information sharing so immediate, the chaos is only escalated,” says Scott Binder, FCC Services President and CEO. “The industry is also consolidating, creating larger cooperatives that will need to retain a close connection with their members, despite their size, and their commitment to their core values.”

Successful cooperatives demonstrate values and goals very differently from their corporate counterparts. Rather than answering to stockholders who expect consistent, positive quarterly earnings, cooperatives answer first and foremost to their member-owners. This longer-term view enables a more future-focused outlook when the cooperative’s board and management team are making strategic decisions. Leading the effort to identify and respond to industry challenges and opportunities is the board of directors, which is tasked with establishing the strategy for the organization.

“In today’s complex and rapidly-changing environment, the really effective cooperative boards challenge themselves to see around the corners and discern potential issues and opportunities that might impact the organization’s future or ability to thrive,” says Leslie Hilton, new Vice President of Governance/Board Development. “To do that, they need to educate themselves individually and collectively, work together as well as challenge each other, and work effectively with their CEOs to identify and address critical changes and issues.”



At the governance level, board members face the challenge of developing a board culture that values constructive tension and facilitates robust exchange within a positive and respectful environment. Directors are used to being the senior leaders in their own organizations, so when they come together they need to find ways to challenge and be challenged productively and to learn together for the good of the organization. Directors must also go outside their comfort zones to deal with the challenges their organizations face because it's in the areas of unknown that the greatest risks – and greatest opportunity – lie. “Without this kind of board culture, the organization loses the full potential of the wisdom the board and each director carries and should be contributing,” Leslie says. “The result is more risk and loss of opportunity.”

Another important issue today for cooperative boards is board evaluation. Rubber stamp boards that simply approve of the CEO's plans without applying their own strategic thinking or forward-looking guidance are becoming a thing of the past as directors and management realize the risk in such an approach. Boards today must continually refine and redefine their roles in light of today's economic, demographic and business complexity and change.

One key component of the future success of any cooperative is the development of critical skills and abilities among the staff who manage the daily operations and are responsible for implementing the strategic direction set by the board. Developing the skills to implement those strategic decisions, and to manage the employee team effectively to carry them out, is a process that doesn't necessarily happen naturally. Instead, proactive leadership development is needed, both for managers and directors.

“Cooperatives are inherently mission-based and typically value servant leadership, but leadership development needs to build on these core values, particularly by helping leaders deliver on these values and understand how to get the most productivity with, and through, their colleagues,” says Chris Keller, Senior Vice President of Talent and Leadership Development at FCC Services. “To best serve the membership, we all need education to expand our awareness and our thinking; this doesn't just happen by itself.”

Educational objectives should focus on things like how to have crucial conversations in difficult times, how to build and lead teams, and how to facilitate collaboration. The specifics of the training will depend on each cooperative's core needs and challenges.

Undertaking leadership development in a systemic way doesn't necessarily require a large investment, though of course it does carry some level of financial commitment. This investment may represent a new element of business development. To move forward, the board will need to recognize the value that leadership development will deliver to the organization long-term.



Another challenge many cooperatives face is that, because they typically run very lean organizations, it can seem burdensome to pull a key employee away from the day-to-day operations for them to attend leadership development sessions. However, the benefits to the organization of making this commitment to development are two-fold: stronger contributions by the employees improving their leadership skills, and improved perception among future employees, particularly the younger generation, that can enhance recruitment efforts.

“It’s always important to invest in your current staff and reap the direct rewards of that investment,” says Chris. “But it’s also critical to recognize that there is a talent gap in our industry between the current Baby Boomer and Generation X employees, and the next generation we’ll need to attract to remain competitive. This younger generation values collaboration, mentorship and role modeling, and leadership development can teach these skills.”

Attracting the next generation of employees is becoming increasingly important as ag cooperatives are facing widespread retirements among their senior leaders, and often look internally to advance current employees into positions of greater responsibility. A well-thought-out, comprehensive succession management plan will pay dividends on many levels. It provides continuity when promoting from within versus hiring externally, it reflects to the organization that a clear career path exists within the organization, which increases employee engagement, and it reduces the risks of hiring from outside.

A comprehensive succession plan adds value at every level of the organization. Replacing a departing CEO with a new leader to guide the organization into a successful future is perhaps the single most important job the board of directors has. The search for a new CEO often includes internal candidates, but should also consider outside candidates as the board strives to do its fiduciary duty in conducting a thorough and comprehensive search for the best possible candidate.

“Whether to focus on internal or external candidates for a new CEO or any senior leadership position depends in part on the organization’s business situation,” says Jay Lux, Vice President of Organizational Effectiveness Consulting. “When you have a stable business environment and have built a strong talent bench, promoting from within may be the most appropriate approach; if your business is seeking change, new skills or a different philosophical approach, the board may be more open to considering external candidates.”

In any case, the typical tenure for a CEO is now six years, with those hired from outside the company typically lasting fewer than four in the position. This means that boards of directors may be entering a time when they’ll need to focus on CEO replacement more often than in the past. At the same time, ag cooperative CEOs are facing an increasingly complex business environment: often, a single cooperative



will support one or more retail branches, a grain marketing function and international operations, while managing against market volatility, peak seasonality and safety requirements.

“Developing your talent for the future is a long-term prospect, especially for more complex, senior roles like the CEO or other C-level leaders. For cooperatives looking internally to fill key roles, a lot of grooming is needed to help an individual be successful, a process that can sometimes take years,” says Jay. “This long-term preparation represents a commitment to leadership development as well as succession planning that can’t be understated. Getting the right people in the right positions at the right time for their career goals and the organization’s needs can make the difference between success and failure.”