



## Cooperative Management Series

# Effective Decision Making in the Board Room

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In the middle of a board retreat while a guest is speaking a cell phone rings and the owner answers it. While one board member is speaking another director interrupts. Arguments get heated enough to break into physical fights, special treatment is demanded from employees, or information is leaked. Unfortunately, these kinds of problems occur in cooperative boardrooms. The key to minimizing them is to build a strong board team that fully understands their role, duties, and responsibilities. The best way to do this is to implement good team building skills into the boardroom every meeting.

### Making Good Decisions

The board is the decision making body of the cooperative and the directors' ability to work together as a team is essential to the success of the cooperative. Different decisions need different levels of cooperation among the board because some decisions require a majority vote, some only need consensus, and some decisions can be delegated to committees. However, generally decisions can be sorted into three different categories: strategic decisions, tactical decisions, and operational decisions.

### Strategic Decisions

The strategic decisions of the cooperative are usually "the vital few" decisions that the board must make. These decisions involve choosing the direction that the cooperative will take in the future. Strategic decisions are the long-term goals and values of the cooperative and determine where the cooperative is and where it is going. These decisions do not have to come with specific plans, just objectives. From these objectives, management can decide the immediate steps to take to achieve the goals and values set by the board. Generally strategic decisions are high risk and high investment, such as building a new grain facility or merging with another cooperative.

#### "The 80/20 Rule"

A general rule of thumb for the decisions made by the board is that "the trivial few" decisions will take 80% of your time and yield only 20% of your results. The other 20% of the board's time will be spent making "the vital few" decisions that will yield 80% of the results of the meeting.

Boards should converge at least one day out of the year to have a full day to make the strategic decisions away from the boardroom. The board chair or manager should schedule the retreat at a time of year that the board can get away from home and put their full attention on the decisions at hand. Harvest, fertilizer season, or the holidays are all bad times because the board will make decisions as quickly as possible with little thought in order to get home. It should be a less structured setting in which the board can relax and really consider the direction of the cooperative. The meetings themselves should concentrate on building consensus among the board instead of forcing a vote of the whole board.

### Tactical Decisions

Tactical decisions should be made after the strategic decisions and should support them. These are the decisions that provide a moderate amount of details and occur in the near future. They usually have moderate consequences. A good example of a tactical decision would be selecting product lines for a new farm store.

Before making tactical decisions the board should anticipate the information needed to make an informed decision. This is also the stage in which any discerning questions should be asked before the plans go any further. Once it is determined that the project should move forward the board should make a timely decision and move on to other items of business.

### Operational Decisions

This stage of the decision making process belongs primarily to the management of the cooperative. It is the manager's job to make operational decisions that will help the cooperative to achieve the strategic and tactical goals made by the board. These decisions are generally short term, daily decisions that have to be made in the running of the cooperative. These decisions have an immediate impact and a low cost. The board does not need to be involved in these decisions because they have relatively low cost and the impact of one bad decision is minimal.

The strategic goals, tactical goals, and policies of the cooperative provide management with parameters and a direction for the cooperative. Boards should choose responsible and capable management to carrying through the objectives provided by the board. The board can also set standard operating procedures.

## Facing Tough Decisions

Whether or not to close down an unprofitable location or invest in major renovations may seem like common sense from the standpoint of the business; however, for a cooperative these are major decisions because of their social impact. The customers are the owners and no major decisions can be made without considering the impact on the members, employees, and the community. If a merger is being considered then both cooperatives must consider both the economic impact on the business and the social impact on these groups.

The cooperative must consider what is affordable. If the location in question is pulling the rest of the cooperative down then the board must close that location for the sake of affordability. This may cause a disturbance among the members and they should be involved in the process as much as is reasonable. A customer survey is a good tool to gauge the response of the members to such a decision. In some cases it is more affordable to take a loss on a certain department or location rather than lose members' business from that area.

Most decisions will have pros and cons that the board will have to consider. Whatever choice they make will have some negative consequences; however, the board must provide an unbiased evaluation of what could realistically happen if the cooperative does or does not make that decision.

## Keeping it in the Board Room

### Approaches to Tough Decisions

In order for the board members to make the best possible decision in a tough situation the board must discuss the possibilities in a rational and business like manner. This means the directors must make certain that the dilemma is approached in the best possible manner. One approach is to consider the long-range plans and mission of the cooperative. How will this decision impact the realization of those goals? Which decision will reinforce them? Which decision goes against them?

Another approach is to discuss the issue with those involve or those who have been involved in a similar decision in the past. The board can hold a meeting with the members and employee to discuss the issue. The management should be included in the discussion from the beginning; however, the board may chose to allow the management to be the only one who is privy to all of the details of the issue. In some cases, such as mergers or buyouts, the details may not need to be publicly announced from the beginning.

The question can also be discussed with other directors who have faced a similar problem. How did their members react to the decision? How did it affect their financial status? Just as directors cannot reveal too much information to the public at first, the directors should keep the questions general when speaking with directors of other organizations. The director may not be at liberty to discuss too many of the details of the decision for the sake of confidentiality.

The most important thing a director can do to make the decision making process run as smoothly as possible is walk in the boardroom with a director hat on, and not a farmer hat. The board must make decisions that are best for the cooperative and not for any other reason. It can be hard

to separate the director-self from the farmer-self so each director should be sure to walk into the door as a *director* and nothing else.

### Conflict in the Board Room

Conflict is a normal part of group decision making; however, there is a distinct difference between board conflict and fighting. Disagreements have the potential to add information and perspective to a conversation. By encouraging members to voice their opinions, the board chair can be assured that all members of the board will feel that their opinion is important and has been expressed whether they agree or disagree. This also allows board members to put their opinions on the record for future references and legal reasons.

The sources of conflict for boards include untrue information or a lack of information, value, improper process, people, actions, and conflicting personalities. The best way to deal with this kind of conflict is to assume that all board members want to improve the cooperative. Board members who voice an opinion are probably doing so because that is what they feel is best for the cooperative, the employees, and the members. While discussing the issue, discuss the broader issues first and identify the areas of agreement. All points discussed should be clarified and the evidence should be considered from all sides and points of view. By looking at all sides of the issue board members are able to have all of the evidence presented before they commit to an emotional and psychological position. In this way argument can be avoided saving valuable time that should be spent making the important decisions of the cooperative.

### Problem Behavior in the Board Room

Occasionally in the heat of an argument someone loses their temper, which can lead to problem behavior. When directors dominate discussions, argue just to have their way, or are disrespectful to others in the room the chair should put a stop to it immediately. This kind of behavior will seriously impede progress in the board room and will cause bad feelings among the board members, especially when it reaches the point that personal comments are being made. It is imperative that the board chair stops such behavior before the board has split into sides.

In order to accomplish this, the board chair should set the ground rules for discussion from the very beginning and establish a structure in which everyone has a chance to participate. A very good way to do this is by following Roberts Rules of Order. Roberts Rules are designed to allow the chairman to control the discussion without suppressing anyone's opinion or the introduction of new evidence. The chair should separate the issues so that the arguments of one does not overflow into the discussion of another and good behavior should be modeled by the chair and senior board members.

Even taking these precautions, discussions will get heated. When this happens the best approach is to take a short break and reconvene in a few minutes. This will allow members to get away from the board table and let their tempers cool down as well as think about the issue rationally on their own. When the group reconvenes, the chair should summarize the discussion to that point and note the areas of agreement. The new discussion should build on those points.

## Making a Team Decision

There are five general guidelines that help in team decision making. These guidelines include the following:

1. Different points of view are considered useful and resolved constructively.
2. Team members challenge suggestions they believe are not founded on facts or logic, but they avoid arguing just to have their way.
3. Poor solutions or alternatives are not supported for the sake of peace and harmony.
4. Each team member understands the value of time and works to eliminate extraneous or repetitious discussions.
5. Differences of opinion are explored and resolved; consensus is reached rather than voting on or avoiding the issues.

## Using Decision Making Tools

If a large amount of information is available to the board and they must sort through it all to make their decision. It may be necessary to integrate decision making tools into your board room. Such tools include: consultants, pro-con charts, T-Charts, PMI, matrix assessment charts, Buriden's Donkey method, measuring criteria, or a weighted decision table.

### Outside Consultants

Occasionally the issue at hand will fall outside the technology, expertise, or activity of the company and additional information is needed that is not readily available from traditional sources. Other times the board may face an issue that is too personal and needs impartiality and objectivity. The board may have tried and failed to address a certain issue on several occasions. It is times such as this that an outside consultant may provide the resources the board needs to make an informed and unbiased decision.

Consultants are a tool for better decisions, not easier decisions. No matter how hard the issue may be the board must make the ultimate decision. What the consultant does is identify the options that may not have been previously identified. The board can then use this additional information in making their decision. Consultants should be chosen for their expertise, training, and background. Their style and suggestions should fit your culture because if they do not they will not be accepted by the board or the members anyway. As with any other person hired references should be thoroughly checked and former clients contacted.

Once a consultant has been chosen the board should define the goals and scope of the project so the results will bring the board closer to a decision that will uphold these goals. The on-site work, deliverables, follow-up, and costs should be specified before work begins and a contact person should be identified on the board as well as the information needed. A staff should be provided if necessary, but the consultant will usually have his own staff.

When the consultant has reported his results the board must make their decision. First the original information should be reviewed, and then the consultant's recommendations

should be reviewed. The chair should open discussion of the new options and recommendations that was uncovered by the consultant. This new information could be the key to the right decision for the cooperative and a decision should be made as soon as possible whether to accept or reject the recommendation. If it is accepted it should be implemented as soon as possible—the sooner the better.

### Pro-Con Chart

The pro-con chart is a better-known kind of decision making tool that is widely used by various organizations. It insures that all advantages and disadvantages are discussed. It also encourages the board to consider both sides of an option before committing themselves to a decision. A team building benefit of a pro-con chart is that it allows the board to work as collaborators summarizing information rather than competitive debaters. Assume the cooperative is looking at renovating the old elevator rather than building a new steel tank.

Pros	Cons
<b>Shorter Time to Completion</b>	<b>Higher Per/Bushel Costs</b>
Retain Segregation Potential	Slower Throughput Speed
<b>Easier to Monitor Grain Control</b>	

### T-Chart

The tee chart is a version of the pro-con chart. The T-Chart allows the cooperative to take two different options and compare the pros and cons of each rather than looking at the pros and cons of each option individually.

### PMI

PMI is another version of the pro-con chart that takes the decision making process one step further than the t-chart. It splits each of the two options into plus, minus, and interesting rather than simply pro and con. The plus and minus are the equivalent of pro and con, but the interesting category offers another dimension to the project. The interesting category can include consequences, areas of curiosity or uncertainty, neutral attributes, or exploratory ideas.

### Decision Matrix

A Decision matrix can be used to compare various options. Decision matrixes are used by a wide variety of major organizations. The decision matrix is taught as a part of Battle Planning at the U.S. Army Command and General Staff College. A decision matrix separates complex decisions into components and clarifies the trade-offs. All of the alternatives are placed in a row, and then all of the criteria are placed in a column. Each alternative is ranked as either low or high in each criteria category allowing multiple categories to be covered in an efficient manner. Assume a cooperative is evaluating three alternatives for additional grain storage. The following decision matrix summarizes the board's rating.

In this example relative rankings were used in each cell of the matrix. Numerical ratings on a 1 to 10 scale could also be used. This board concluded that renovating an existing elevator was their optimal decision.

	Renovate Existing Elevator	Construct Steel Bin	Lease Storage Space
Speed	3	2	1
Annual Cost	1	2	3
Longevity	1	2	3
<b>Total</b>	<b>5</b>	<b>6</b>	<b>7</b>

1=best, 2=2<sup>nd</sup> best, 3= 3<sup>rd</sup> best

### Buriden’s Donkey

There is an old fable about a donkey that was placed between two equally nice bales of hay. This was an especially indecisive donkey that could not choose which bale to turn to and eat because they were both so attractive. This donkey stood there so long that he starved to death of indecision. This is the story behind the Buriden’s Donkey method of decision making. It is a method that should be used when the cooperative has to make a decision between two equal alternatives. If both choices are equally attractive to the cooperative, the board should simply select one and move on. If the alternatives are truly equal, either choice is the right one.

### Measured Criteria

The measured criteria method is good for a board that cannot agree. Before the alternatives are presented the board must list the criteria that a proposed plan must meet and assign a number to that criteria on a scale such as one to ten or even one to one hundred with one being the least important and one hundred being the most important. Then when the alternatives are discussed there is a base set of criteria that they all must meet. Each alternative is compared with the criteria and is ranked by the values assigned by the criteria. There is little argument that can result because the board members have set and agreed on the criteria and the scale.

### Weighted Decision Table

This is a slightly more sophisticated version of the measured criteria technique. In this decision tool a table is set up with each criteria given a weight depending on its importance in the decision and each alternative given a ranking for that criterion. Here the points assigned to the alternative are added to the importance of the criteria to give a total number. This number can then be used to determine which alternative is the most useful.

### An Ounce of Prevention

Every board will have its problems making decisions as will any group that is made up totally of leaders; however, with a little prevention the board can make the best decisions possible for the cooperative without causing any black eyes. A board that works as a team will be able to handle any tough decision and any conflict that may arise. By implementing good team building skills into the board room every meeting, your board of directors can work smoothly together and create a successful cooperative.

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