

Cooperative Strategic Leadership

BY ART SHERWOOD

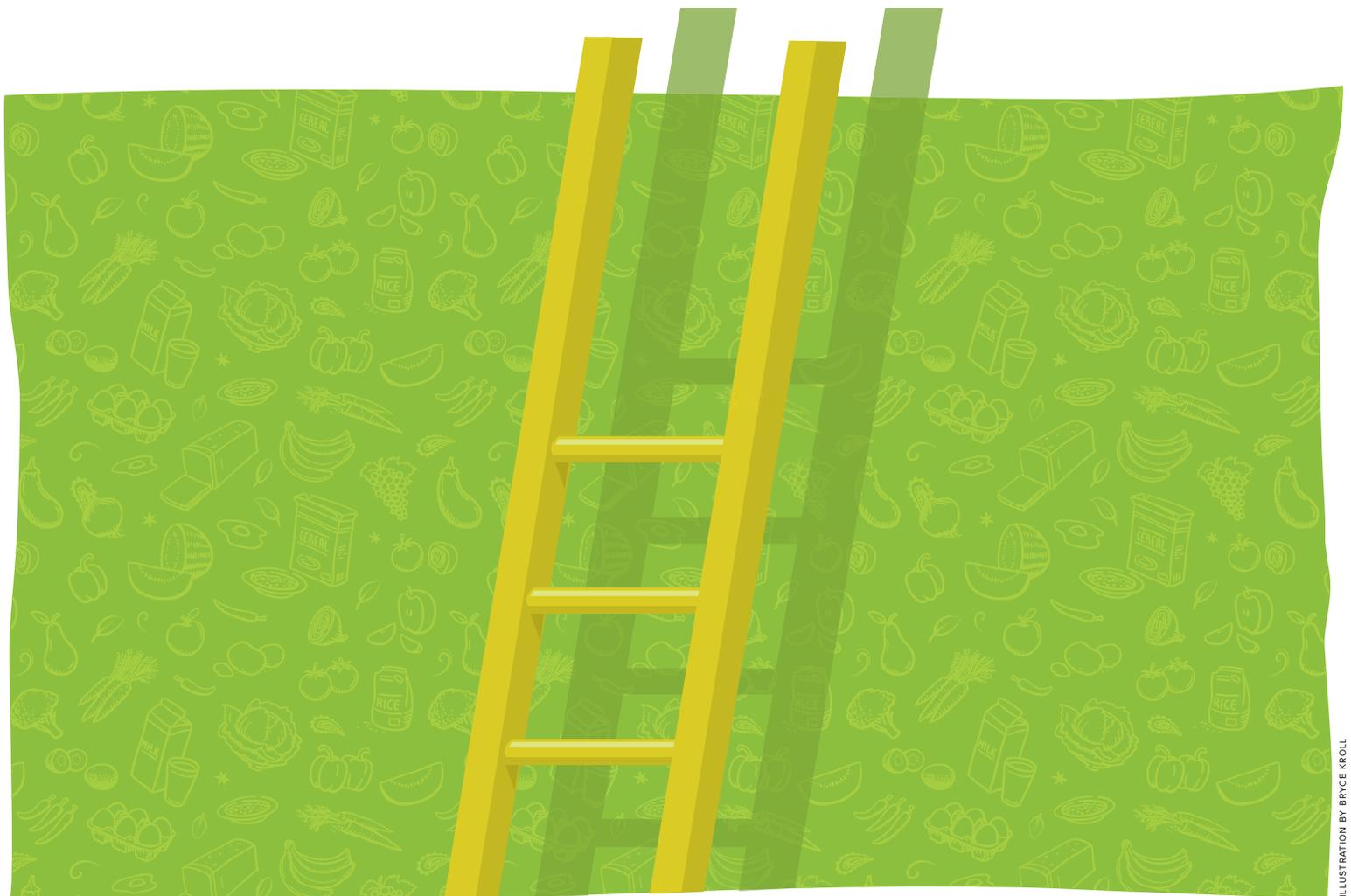


ILLUSTRATION BY BRUCE ROLL

There has been much discussion, debate and downright argument about the role of the board in the strategic process of our co-ops. “Isn’t that getting into operations? Aren’t our hands tied by our governance system? Isn’t “strategy” a taboo word to raise in the board room since that is supposed to be the general manager’s job? But, how can a board lead if it is not involved in the strategy? Shouldn’t we have a say in strategic planning?”

These are relevant and necessary questions and clearly point to the need for a shared understanding of the strategic process and a practical model for having the right leaders involved in making wise strategic decisions for the co-op. So, imagine if...

- The board and general management knew how to have a safe and productive conversa-

“The rungs on the ladder of understanding for how to be cooperative strategic leaders still need some work.”

tion about the future of the co-op...and even the current co-op!

- We understood our external world and what it means to our co-op...
- We engaged in collaborative strategizing and communication...
- We understood our unique roles and had the power to do great things...
- We made wise rather than foolish decisions...
- We didn’t spend all our time tied up in knots over our governance system and fearing

we crossed the line...

- We could use the work we are already doing and focus it for effective leadership...
 - We knew our work made a difference and we had fun while we changed the world...
- Wouldn’t that be amazing! Enter “Cooperative Strategic Leadership.”

Cooperative Strategic Leadership (CSL) is defined as the ability to think strategically and thus anticipate, envision, maintain flexibility and work with others to provide direction and facilitate changes that will create a viable future for the organization consistent with cooperative principles¹. It helps us accomplish two essentials of leadership: facilitating direction-setting and moving toward that direction. To successfully act as Cooperative Strategic Leaders, we need a practical and robust approach. It needs to be grounded in strategic process best

practice and adapted to fit the unique context of cooperatives.

I will first discuss the Top Leadership Team (TLT) and then explain a six-component CSL approach in the remainder of this article (see Figure 1). The aim is to provide an introduction, since there is more underneath this first layer.

My CDS Consulting Co-op team has seen many interesting examples across the country illustrating CSL components at work. Here I will share the Bloomingfoods Cooperative's story since, as a second-term director, I know this one best.

EmPOWERment—the Top Leadership Team

As discussed in my article, "Power Triggers, Seesaw Battles and Handcar Cooperation," in the May–June 2011 *Cooperative Grocer*, power can be usefully defined as the ability to get things done. Thus, in order to empower both the board of directors and general manager to lead strategically, they need a mechanism for working together while being able to effectively distinguish their roles and make their unique decisions. The mechanism is the TLT.

The TLT is comprised of the board and general manager (GM) and perhaps other top managers. The primary purpose is to create alignment in the organization through strategic conversations to grow the organizational knowledge pool. Working together as a team allows these key leaders to provide strategic leadership while maintaining accountability so important in an effective governance system. At Bloomingfoods, our TLT includes our board and our general manager, George Huntington.

The knowledge pool and strategic conversations

The knowledge pool and the strategic conversation are fundamental tools for informing wise decision-making. The knowledge pool is a repository of information gained through TLT learning, acting as a "library" for current and future decision-makers. The knowledge pool can hold much collective wisdom: insights gained and implications identified. It is fed from inside and outside the organization via strategic conversations.

Strategic conversations are interactions between groups with the purpose of learning or sharing what has been learned. Foundational to this and a sometimes missing link between board and general management team is the concept of a safe conversation. Safe? Safe from what? Safe from the fear of stepping over the governance line. Safe from the unspoken implication that this conversation needs to lead

to some specific action. It directly confronts the issue of, "We can't talk about that...it's operations."

What makes it safe is the absence of decision-making. No monitoring. No authority given to ideas, possibilities and visions of the future. The TLT can talk operations. It can talk about what the Ends could be. It can have a safe strategic conversation about multiple interesting issues of strategic importance.

*Caution...*this is not an invitation to backslide into micromanagement! Safe conversations are designed for specific times when the TLT is engaged in strategic conversations to inform and build wisdom. The discussion can't be interpreted as an actual or implied decision (even if all the people are nodding their heads). Violate this and the system will break down.

At Bloomingfoods, we dedicate the first hour of every board meeting to strategic thinking/education for the TLT, and these are all safe conversations. We capture the results in a knowledge pool made up of our monthly newsletter article and minutes (and are working on an online archive). We started this investment of time three years ago and have covered local economics, local food economics, and finally the potential role of cooperatives in various local business sectors. Doing this has expanded our focus into the future, built amazing insights, prepared us to make important decisions, and has been a lot of fun!

The strategic conversation has a different purpose, which is to engage and feed the knowledge pools of others, structured with an integrated communications plan. At Bloomingfoods this year, our board president, our general manager, and I will team up for our annual owners meeting and speak about cooperatives worldwide and in Southern Indiana, linking it all to the International Year of Cooperatives. Soon we also will have a strategic conversation with the great folks down the road in Columbus, Ind., who are working to start a co-op of their own.

The strategic conversation and knowledge pool help facilitate the success of establishing strategic direction, planning, acting on plans, and performance monitoring, which make up components 1–4.

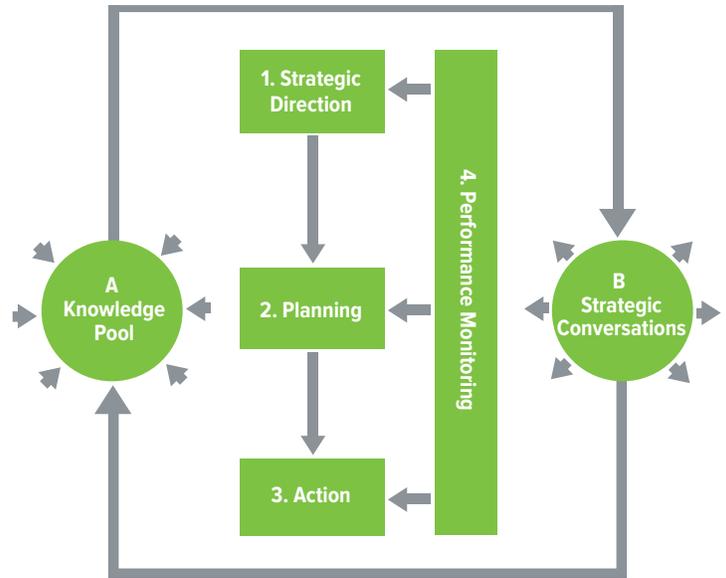


Figure 1: Cooperative Strategic Leadership

Component 1: strategic direction

Strategic direction is where the board and TLT can really shine. Cooperative Strategic Leadership includes strategic thinking, envisioning, maintaining flexibility...looking to the future to lead the co-op forward, maintaining what should be maintained, and facilitating the change that needs to happen to evolve a viable organization for our owners. This is important work. This is meaningful work. This is the work of strategic leaders.

In this component, the board makes strategic decisions about outcomes and stakeholders to benefit (e.g. Ends in Policy Governance) and the general management team makes strategic decisions regarding the organizational objectives in line with the decisions of the board. The results of our knowledge-building efforts at Bloomingfoods resulted in a revision of our Ends Statement (January 2011) to include an outcome related to a stronger cooperative economy for our region leading to additional focused TLT learning and an upcoming multi-year strategic plan from the GM. Together, these decisions set the strategic direction for the co-op.

Here are a few strategic conversation questions your TLT could have to inform the unique decisions made by your board and GM:

- Who does our co-op exist to serve now? In the future?
- What value/benefits does our co-op create and deliver now? In the future?
- What about our current business now creates and delivers this value? Does it capture enough back to remain viable? (e.g. money/loyalty in return for providing a grocery or gas station). ►

Boards want to be strategic leaders in whatever ways make sense for their co-op and often feel as if the governance systems are telling them “No.”

◀ What should this look like in the future?

- What situations and trends in our external environment (outside the co-op; e.g. competition) impact the answers to the above? What situations and trends in our internal environment (inside the co-op; e.g. operational capabilities) impact the answers to the above? What opportunities arise? What risks or threats exist?

Boards having their foundations in order can invest a considerable percentage of time thinking strategically around the direction of the co-op. And they will enjoy their work.²

Component 2: planning

The planning component identifies subgoals and steps needed to accomplish the strategic direction. The plans and the planning process act to facilitate the change needed in the co-op and are important tools for leaders. The board makes decisions about the board plan, including monitoring schedule, perpetuating itself, board development and preparing to make knowable upcoming decisions (for example, patronage dividends). The GM and staff make decisions regarding the multiyear strategic plans, the annual operations plan and the shorter-term plans all the way down to what is being done on the floor each day. The TLT intentionally plans strategic conversations.

Coordination of efforts has been important for us at Bloomingfoods. For example, we planned strategic conversations around the work our GM was doing regarding a forthcoming multiyear expansion plan. Engaging in a series of educational hours specific to cooperative opportunities being considered, we built shared understanding in a safe space, better

prepared the board to make its ultimate monitoring decisions, expanded the GM’s understanding of cooperative opportunities, and built alignment among all of us.

What strategic conversations might your TLT have about planning that will facilitate the success of all involved? These could include:

- How can our planning processes be clearly linked to the movement toward the strategic direction of our co-op?
- Are there components of board and GM plans that would be enhanced if coordinated? If so, how do we coordinate the board and GM plans for the year? (for example, a coordinated communication each month in the co-op newsletter where the board and GM share their unique, but aligned, perspectives.)
- On what areas would we like to coordinate learning and sharing strategic conversations? What topics are useful to the entire TLT?
- How can we all be informed enough about the plans created in order to communicate with others intelligently from our unique leadership roles?

Component 3: action

Strategic leaders work to facilitate action. The words they use, articulated in policy, can help do this if they are well crafted. But these words do not work alone—they are partnered with culture. Having a positive performance culture is vital to forward movement, and creating one in the board room and within the organization is critical to successful action.³

The purpose of the action component is to facilitate movement forward through effective systems/processes and culture. At Bloomingfoods, we’ve invested educational time to safely discuss and improve our processes (e.g. recognizing the need to invest in education for the first hour of the meeting). We’ve also worked to build relationships of the TLT members, resulting in a greater respect and understanding of one another (for example, dinners before meetings and social time at a 1.5 day annual retreat).

Strategic conversations might include:

- What aspects of our systems/policies and culture facilitate the successful movement toward the strategic direction of our co-op?
- What needs to go into a policy that would effectively draw the line between acceptable and unacceptable conduct? How do we know when a policy is “good enough” to do the job?
- What does a positive performance culture mean for us? What are the things leading to this? What are the things detracting from it? Where are we now?

Component 4: performance monitoring

Performance monitoring happens along each of the first three components. Boards make compliance decisions, and GMs track operational performance. This year at Bloomingfoods, we built in time for our Ends monitoring to reflect on and learn from the progress made over the year. We considered how it might impact our strategic conversations and work in the future!

You likely know a great deal about the mechanics of monitoring. Thinking strategically about the process can support the success of your co-op. Your TLT might discuss answers to the following:

- How can we use the performance monitoring system to simultaneously hold people accountable and empower them to successfully pursue the strategic direction of the co-op?
- How can the results of performance monitoring be used to drive continuous improvement/forward movement and build stronger owner relations?
- What information do we need to know in

10 keys to bringing cooperative strategic leadership alive and making it happen

- Clarify and build shared agreement about your unique roles and expectations as strategic leaders.
- Clarify and build shared agreement about your tools and processes to be used for effective strategic leadership.
- Use and adapt existing tools/processes before making new ones.
- Use tools and process to get in front of knowable decisions.
- Use a planned calendar that includes CSL deadlines/actions (along with other important deadlines/actions).
- Continually differentiate between strategic conversations and decision making.
- Intentionally build insight and foresight together so you can make your unique leadership decisions wisely.
- Remember you are working with diverse people, which can be both exciting/performance enhancing and annoying. Leverage the diversity when it is needed and respect (and even enjoy) the rest.
- Choose to invest your scarce resources to make it work.
- Enjoy and celebrate your work and remind yourselves that it matters.

order to make successful policy decisions?
What knowledge base do we need to build?

Enhancement of governance, not replacement

I would like to close on this final note. CSL is meant to be an enhancement of our governance work to date, not to replace it. Our co-op community has been engaged in dialogue with mixed opinions regarding satisfaction with governance systems, with a particular focus on Policy Governance. What I've heard in many conversations with our community (thanks to all of you!) is that boards want to be strategic leaders in whatever ways make sense for their co-op and often feel as if the governance systems are telling them "No." This has never been the real answer. Many boards have used "no" as shorthand for "we have decided that we want to focus our time on governance and empower the GM to focus on operations" and/or "we don't want to interfere with or confuse our clear delegation to the GM." Let's work together to get clear on the time for safe, strategic conversations, and hold each other accountable for discipline on the difference between those and undermining the authority that has been delegated to the GM.

The rungs on the ladder of understanding for how to be cooperative strategic leaders still need some work. We have diligently been working on this ladder, with much more yet to come. My hopes are that this article provides a solid footing on which we can all begin to climb. ■

Notes

- 1 Adapted from Ireland and Hitt in their widely acclaimed article, "Achieving and Maintaining Strategic Competitiveness in the 21st century: The role of strategic leadership," in the *Academy of Management Executive*, 1999
- 2 See Marshall Kovitz's article in the Sept.–Oct. 2009 *Cooperative Grocer* and the related online recorded workshop using this article, by Todd Wallace and Mark Goehring, at www.cdskon.sulting.coop. Click on the Cooperative Board Leadership (CBLD) library and scroll down to "Strategic Thinking."
- 3 See two articles on Positive Board Performance Culture in the online CBLD library—scroll down to Field Guides where you will see the two titles by Joel Kopischke and Art Sherwood.
- 4 CBLD library Field Guide, "Boards Acting on Ends Reports," by Michael Healy.

Borrow Invest

**Northcountry
Cooperative
Development
Fund**

www.ncdf.coop
612-331-9103



Call for Proposals



Blooming Prairie Foundation is now accepting proposals for its 2012 funding cycle.

The Foundation's mission is to promote innovative ideas, practices and procedures in the area of organic and natural foods in order to further the health of the people, the health of the environment and cooperative ideals.

The Blooming Prairie Foundation makes grants to nonprofit, charitable organizations that conduct any of the following activities:

- Developmental, research and educational efforts in the organic industry and the cooperative community
- The development of organic and natural products.
- Cooperative development in the natural products industry.

Grants are not made to individuals. To be considered for a grant, your organization can follow the guidelines on the "Grants" page of the Blooming Prairie website at: www.bloomingprairie.org. Deadline for proposals is 5:00 p.m., Feb. 1, 2012.

For more information:

Please call Lynn Olson, Grant Administrator at (609) 556-3055 or e-mail at bpinfo@yahoo.com

