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Specialist Helps Board of Directors Focus

BY SCOTT A. YATES
Washington State Staff Writer

SPOKANE – The media play up infighting on Disney Corp.’s board and explain in detail how HP President Carly Fiorina was ousted by her directors.

Over time, we have learned how the Enron board failed in its fiduciary responsibilities and what went wrong at WorldCom, where board members are personally repaying some of the losses incurred by shareholders.

Such events may appear far removed from Northwest agriculture until you remember that dozens of the region’s multimillion-dollar commodity companies are guided by boards of directors. Along with the executive who manages the day-to-day operation, a board can either lead a company into the future or into failure.

Harvey Meier works with companies hoping to achieve the former. Specializing in agricultural companies, his clients include a large cheese cooperative, a large dairy cooperative and several large grain cooperatives, to name a few.

Although there are different types of boards and different obligations each operate under, many requirements are the same. First and foremost, a board’s job is to supply long-range strategic vision and set policy. The chief executive officer or general manager takes care of ongoing business.

This division of labor is not always clear, and more than one manager has expressed displeasure at board members who don’t know the difference. Mike Conklin, who manages Co-Ag, a Rosalia, Washington-based grain cooperative, has worked at a number of other cooperatives during his career. He said it’s surprising how many directors have a closet desire to be a manager.

Conklin, who said he has used Meier on several occasions and found him to be effective, said Meier forces the board and himself to look at issues “that are uncomfortable for both of us and makes us talk about them.”

In today’s business environment with added regulation and liability

issues, Conklin said, it’s simply prudent to have an impartial third-party voice.

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An extension agricultural business economist at Oregon State University in the 1970s, Meier took a job with the Spokane Bank for Cooperatives during the 1980s. He established the Harvey A. Meier Co.



MEIER

in 1989, but has had some clients much longer – up to 30 years.

Among other things, Meier facilitates strategic and business planning sessions, helps search for CEOs, and provides workshops to strengthen board leadership skills. Lately, he has been emphasizing two-day planning retreats, which train directors on best governance practices and their fiduciary responsibilities.

Presented through the Institute for Agribusiness Director Education®, the Program is “designed to increase a board’s governance expertise and to make board members aware of the type of questions that need to be asked to fulfill their responsibilities ... so it truly is a partnership being exercised between the board and its CEO or general manager on behalf of the owners of the company.”

For the member of an agricultural cooperative’s board of direc-

tors, that means taking off the farming hat when coming to town and putting on the business hat, Meier said. The decisions a director makes in the boardroom must be what’s best for the company, even when they might adversely affect the director’s own farming operation.

“That is one of the challenges that board members face in a cooperative setting,” he said. The level of experience among board members he has worked with over the years varies widely. As a group, farmers are very bright, entrepreneurial-thinking individuals, but many haven’t had the opportunity to gain board experience outside of farming, he said. Meier said an educational program like his can help close the gap.

“Farmers are intellectually capable. They just haven’t had the experience,” he said. Although boards shouldn’t be tripping over their managers when it comes to their respective duties, directors must provide feedback. Most CEOs want to know how they’re doing. On the other hand, most farmers don’t like confrontation.

“That’s what dissuades them from taking action sooner rather than later. It takes a real strong board of directors who are willing to address issues and not let them fester,” he said. One way of encouraging the process is by starting appraisal programs for measuring the CEO or general manager’s performance. The emphasis is placed on things that can be graphed or measured unambiguously. In the end, communication is paramount.

“One of the chief causes of failure happens to be the inability of people to communicate with each other, Meier said, explaining that how to receive, process and send information is a major component of his board education package.

“We make a couple of major points. One is to listen with the intent to understand and not reply. We also help them understand how important it is to ask one more question before offering a solution,” he said.

Getting Expertise onto the Board

SPOKANE – Harvey Meier describes the chairman of an agricultural board of directors as an orchestra conductor who should draw all board members into important discussions.

“It’s important for chairman to lead the discussion and encourage the board to be the eyes and ears for the management team. Management is often consumed with running the day-to-day business and may not always have the time or opportunity to have their ear to the ground on what’s going on in the country,” said the agribusiness consultant.

In a business environment without much flexibility, Meier said, the gravity of the decisions that boards make are even more significant now than they were a few years ago. As a result, directors need to be better prepared to educate themselves and stay abreast of the industry and their company’s operations.

“One of the challenges many boards are

experiencing is getting people to run (for vacant seats) because of time pressures and the complexity of running their own businesses,” he said.

One of the shifts filtering onto agribusiness boards is the practice of inviting outside members to serve. Meier said boards are particularly looking for people with expertise that is lacking among their directors.

While large corporations pay board members thousands to hundreds of thousands of dollars to serve, compensation is a big issue for agricultural companies. As a result, many of the individuals being brought onto a board as advisors or outside directors are retired or near retirement.

“They are willing to make the kind of contribution at a (monetary) level you often will not find from someone on a publicly traded company board,” he said.-SCOTT A. YATES

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About Harvey A. Meier

Since 1971 Dr. Harvey A. Meier has worked with CEOs, boards, owners, and senior executives of investor-owned and family agribusinesses and cooperatives of all types and sizes. Clients often ask him for guidance and insight on how to strengthen the board and CEO partnership, chart and execute strategic business plans, and hire senior managers. He also has served on for-profit and non-profit boards; and held management and executive positions with the First Interstate Bank of Los Angeles and with the Spokane Bank for Cooperatives. And, he has served as CEO of a privately held distribution company in Silicon Valley and has taught at Oregon State University. Harvey’s Ph.D. is from The Ohio State University.

We invite you to contact The Institute for Agribusiness Director Education® to learn more about its director training and education program.

Dr. Harvey A. Meier

Executive Director

Institute for Agribusiness

Director Education®

410 W. Nevada Street

Ashland, OR 97520-1043

509.458.3210

FAX 541.488.7905

harvey@harveymeier.com

www.harveymeier.com