

Perspectives from the Center

by Ashwini Rao

According to a recent report of credit union and cooperative governance practices released by the Canadian Cooperative Association and Brown Governance Inc., a large percentage (89.8%) of Canadian co-op boards are actively involved in setting the strategic direction of their cooperative.

At the CHS annual meeting, Chairman Michael Toelle called on co-op directors to continue providing visionary leadership. He said, "Our responsibility on every average day is to accomplish three things – to learn, to listen, and to lead – to make certain our cooperative is prepared to successfully serve its stakeholders in the years ahead."

Toelle also shared his experiences on *Fostering Cooperative Leadership* at the recently concluded Farmer Cooperatives Conference. (For Conference highlights, see page 5.) In his presentation, Toelle outlined the governance structure for the CHS Board. He noted professionalism, vision, and commitment to communication as some of the priorities for his Board, and also mentioned that the Board is always "in a process of learning" about issues of leadership and entrepreneurship. "The Board of Directors needs knowledge and the ability to ask tough questions," he said.

Getting much-needed information to the Board and other members and building their base of knowledge is one reason that co-ops and university centers spend time and resources on training and education. The Center, for example, has trained thousands of directors since it started its director leadership workshops in the early 1970s. These workshops, conducted in partnership with the Wisconsin Federation of Cooperatives and the Minnesota Association of Cooperatives, cover such topics as a director's role and responsibilities, board policies, communication strategies, and financial responsibilities.

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SPOTLIGHT	2
CO-OP EDUCATION	3
IN BRIEF	4
KUDOS	5

They also include discussion of emerging state, national, and international trends impacting cooperatives. The directors attending these workshops have completed exercises to learn more about setting measurable goals, evaluating major capital investments, drafting policies, board evaluation, and more.

It is vital that directors be able to make informed decisions. Kim Zeuli, coordinator of the Center's Education Alliance, believes that these training workshops provide directors the chance to clarify their function on the Board, to manage their expectations, and to reflect on how best to use their skills to move the cooperative forward. The workshops help directors stay informed of the changes in the business environment and industry, help them define goals, and help them plan for the future. Beyond that, they also foster finding "the answers to the questions that directors are afraid to ask," says Zeuli. In attending training workshops, directors also gain valuable tools and experience that will help them improve their co-op's bottom line.

This year, the Center is offering a **Mergers 101** workshop that provides insight into the merger process. Topics include financial consolidation, board structure and size, creating a new leadership team, and pre- and post-merger communication.

For information on the 2005 director leadership workshops, see page 4 or visit <http://www.wisc.edu/uwcc/dl/index.html>.

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www.wisc.edu/uwcc

Current Co-op News

The UWCC website offers hundreds of articles, reports, directory listings, and cooperative links from around the world. We also offer a free **e-mail News Service** that's updated at least once a week. To subscribe to **Co-op News from UWCC** send an e-mail to Anne Reynolds (reynolds@aae.wisc.edu).

New Web Look

We've redesigned our website! Let us know what you think of the new design. E-mail your suggestions to Ashwini Rao (rao@aae.wisc.edu).

www.wisc.edu/coops

How are co-ops different from other businesses? What are the co-op principles? How much do you know about co-ops?

Find answers to these questions and more on our website created for students and young members.

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Transition at ALTO Dairy Cooperative

Wisconsin Co-op Searches for a New CEO

by Ashwini Rao

Having a succession plan for key management positions is crucial to the success of your cooperative. In early 2003, Alto's President/General Manager announced that he would be retiring from Alto Dairy, effective immediately. Upon this announcement, the Board of Directors at the 109-year-old dairy co-op prepared themselves for the arduous task ahead of them – that of finding a new CEO.

The search was completed by the Board with assistance from a professional search firm. In the interim, the Board of Director's executive committee (consisting of the five officers from the Board) acted collectively to fill the void created. The existing senior team continued to manage the daily operations of the business.

Earlier this year, Robert Grabarski, former board member of Alto, shared some tips from the search process that Alto went through:

Form a Committee: Have a sub-committee of the Board take the lead role in executing your plan. Keep all Board members informed through regular communications. Alto's sub-committee is comprised of six board members.

Create a plan: Grabarski stressed how important it is to have a plan, written in advance, that charts various scenarios possible with a CEO's exit. He specifically laid down three possible scenarios that the board should plan for: (1) preplanned retirement, (2) sudden retirement, and (3) firing.

The plan should include a list of accomplishments vital for each scenario along with a list of appropriate people best suited to work on them. In addition to including information on job responsibilities, qualifications, salary and incentives, and interview procedures, your plan should incorporate the following:

■ **Hire a professional headhunter.** Using references and talking to other cooperatives about their experiences helped Alto choose a "headhunting firm" that specializes in placing senior executives. The firm placed ads in industry publications and daily newspapers.

■ **Create a pool of candidates** For possible candidates, your co-op should look at individuals within and outside the co-op. Use internal resources such as the HR department to help find the best possible candidate for the co-op. Alto interviewed several individuals before picking the right candidate.

■ **Develop a realistic timeline.**

Looking for the right general manager can take time, and boards should keep this in mind. It took over seven months for Alto to make their decision.

Know the Organization's Needs: Talking to staff and customers will help you understand your organization's strengths and weaknesses. Knowing this is helpful when searching for the best leader. To find the candidate that was the best fit, Alto's Board spent a lot of time making sure they understood the organization.

Communicate: Keep your employees, members, and the board constantly informed about the hiring process. For example, Alto involved their staff in part of the second round of interviews for the top two candidates.

And finally, set the CEO up for success: Pick the candidate that can best lead the business; improve on their weaknesses while leveraging their strengths. The Board should be instrumental in helping the top candidate gain a full understanding of the state of the business. And finally, stand unified behind your choice.

Alto Dairy hired Rich Scheuerman in August 2004. As the co-op's new CEO, he is responsible for operating strategies to promote optimum growth, coordinating daily operations, implementing long-range goals, executing plans, and managing the organization's resources.

Board Leadership

Notes from WFC/MAC Annual Meeting

by Anne Reynolds

More and more boards are considering or implementing a board evaluation process. Every board member recognizes the learning process that goes into becoming an effective board member, but standard evaluations rarely account for the developmental stages of board membership.

Paul Horgen, CEO of Think Federal Credit Union in Rochester, Minnesota, made a presentation at the 2004 Wisconsin Federation of Co-ops/Minnesota Assn. of Co-ops Annual Meeting that outlined three stages of board development: apprenticeship, leadership, and mentorship. Many board members in the audience thought this concept made a lot of sense, and that it would be a useful tool to add to their board orientation and evaluation process.

The table at right is reprinted with the permission of Paul Horgen, CEO, Think Federal Credit Union, Rochester, Minnesota.

Co-op Directors "To-Do" List

Assure that leadership exists...and you can follow it.

YOUR ROLE ON THE BOARD and Years of Experience	APPRENTICESHIP AND PREPARATION 0-3 Years	LEADERSHIP AND PACESETTING 4-6 Years	FOLLOWERSHIP AND MENTORSHIP 7-9 Years
What you say to yourself	"It's not about me."	"It's not about us."	"It's about everyone."
What you say to others	"We care . . ."	"We will . . ."	"We succeed because . . ."
What you ask yourself	"How can I best contribute?"	"Does the Co-op have the best leadership and the best leadership practices?"	"Have I taught them everything I know?"
What you ask others	"How are we doing?"	"How do we do it better?"	"Is this sustainable?"
What you read	Books and articles about the business	Books and articles about leadership	Books and articles about communication
What you write	Notes	Agendas & Policies	Letters to Congress
What you attend	The Governmental Affairs Conference	Seminars on Board Leadership /Governance	Whatever you want to attend
Your primary task at Board Meetings	Listen	Lead	Advise
What Credit Union functions you should understand	Operations	Management and Finance	Governance
What offices you hold	Learner	Chair, Vice Chair, or Secretary	Leader & Mentor
What you think about when you're not at a Co-op meeting	Your work and your family	Your work and your family	Your work and your family
Optimum Rating of (personal) director performance	Good	Great	You are in demand and moving on to your next vision

Order your new co-op book today!

**Cooperatives:
Principles and practices
in the 21st century**



The earlier edition of this popular book, titled *Cooperative Principles and Practices*, was last revised in 1980 by Marvin Schaars, professor of agricultural economics at UW-Madison. Thoroughly revised and updated, the new text contains information on co-op organization, structure, financing, and management. The extensive revision by Kim Zeuli and Bob Cropp reflects over two decades of learning about co-op development, as well as new co-op laws and ways of doing business. The writing focuses on co-op businesses in the U.S. and draws many of its references from the agricultural sector, yet most of the book's content is pertinent to co-ops anywhere, in any sector.

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Robert Cropp to serve as UWCC's Interim Director

Robert Cropp, professor emeritus of agricultural economics, is the UWCC's new interim director. Anne Reynolds previously served as interim director, and will remain at UWCC as assistant director. The change relieves her of administrative responsibilities so that she may focus on developing and delivering extension and outreach programs and applied research.

UWCC "has increasing demands for work to address critical extension and outreach needs," said CALS Dean Elton Aberle. "I commend Anne Reynolds for her leadership as interim director while also carrying major responsibilities for extension, outreach, and grant projects."

Rick Klemme, UWEX program leader for Agriculture & Natural Resources Extension, said UWCC will benefit from Cropp's experience. "The Center is very fortunate to have an interim director who knows its mission and its responsibilities as [well as] its previous director," he said. Cropp was UWCC's director from 1990 to 2003.

For more information contact Bob Cropp (cropp@aae.wisc.edu).

Greg Lawless to co-direct new Ag Innovation Center

Part of Governor Doyle's new "Wisconsin Entrepreneur's Network"

Just launched, the Agricultural Innovation Center (AIC) training and counseling program will support agricultural venture growth in Wisconsin. A collaborative among UW-Extension, the Wisconsin Dept. of Agriculture, Trade & Consumer Protection, and the Wisconsin Technical College System, the Center will be led by co-directors Greg Lawless and Greg Wise, both Extension Specialists. Lawless will continue with UWCC on a reduced appointment.

The AIC's one-on-one assistance, training, and business referrals aim to boost the growth of agricultural businesses and industries, to help develop initiatives to foster new ventures, and to encourage investor networks to bring in new capital to support development and innovation in Wisconsin agriculture.

For more information: contact Greg Lawless (lawless@aae.wisc.edu).

director LEADERSHIP workshops

■ CHARTING YOUR COOPERATIVE'S FUTURE

Learn about strategic planning and communication.
January 25, Comfort Suites, Green Bay, WI

■ IMPROVE YOUR FINANCIAL I.Q.

Learn how best to safeguard your assets.
February 9, Melvill Hall, UW-Richland Center, Richland Center, WI

■ MERGERS 101: FORGING A SUCCESSFUL RELATIONSHIP

Hear lessons from co-ops on success and failure with mergers.
February 15, Best Western (formerly Park Inn & Suites), Eau Claire, WI

■ CREATING A STRONG LEADERSHIP TEAM

Learn about board responsibilities, establishing policies, and evaluations.
March 18, Holiday Inn, Fond du Lac, WI

- Download the brochure & registration form at www.wisc.edu/uwcc/dl/index.html
- Program 9am-4pm. Registration begins at 8:30am.
- \$125 one registrant; \$115 per person if 3 or more attend same workshop.

Community Reinvestment Fund

Willy Street Co-op is Firing up the Funding Furnace

The Willy Street Co-op announced the new season of funding through the Community Reinvestment Fund (CRF). This fund focuses on providing grants to local, non-profit groups with only limited access to funding. Those applying to the CRF should benefit the community through the human services of charity or education. In 2004, the committee received eleven applications and awarded seven grants.

Priority will go to development and educational projects, as well as events that are consistent with WSGC's goals. This includes, but is not limited to, a focus on: food, nutrition, health/well-being, sustainable agriculture, cooperative education, and social change. Priority will also go to organizations working in Madison (Wisconsin's) near-east side community. Women, people of color, and members of other protected groups are strongly encouraged to apply.

The application deadline is 9pm on Monday, February 28th. Awards will be announced Tuesday, April 5th, 2005. For more information about the Fund or to download an application: www.wilystreet.coop, or contact Lynn Olson, Member Services Manager (608.251.0884, l.olson@wilystreet.coop).

Wisconsin Farmers Union 7th Annual Convention

February 5-6, 2005
Plaza Hotel & Suites, Eau Claire, Wisconsin

Program to include

- Livestock Facility Siting
- Policy & Resolutions
- Passing on the Family Farm
- Food for Work Program
- Legislative Update

For more information, or to download a convention brochure and registration form: <http://www.wisconsinfarmersunion.com/> 715-723-5561 · 800-272-5531.

Highlights

Seventh Annual Farmer Cooperatives Conference Nov. 1-2, 2004, Kansas City

by Kim Zeuli and Ashwini Rao

Cooperative Innovation



Business innovation can be defined as any new activity related to firm structure, production, or output. "Innovation is rarely rocket science...in the past few decades most of the companies that have created truly extraordinary amounts of wealth have done so by inventing great processes, not great products." (*Economist*, April 24, 2004)

Today, many co-ops are at the forefront of agri-business innovation. Co-ops are being created in new sectors, such as renewable energy, to help farmers capture the full rewards of technological innovation. Established co-ops are modifying their financial and ownership structures to seek strategic advantages in today's global marketplace. Recent changes in state laws allow unprecedented prospects for the evolution of the co-op model.

This year's conference highlighted some unique and successful examples of innovative agricultural co-ops. In his summary presentation, William Nelson, president of CHS Foundation, identified eleven key themes from the conference:

- 1. Objectivity.** Farm Foundation, a main sponsor of the conference, promotes agenda-free environments for discussion and dialogue on agricultural issues. By fostering the exchange of ideas and building networks, they hope to increase understanding of policy options and consequences among the agricultural community.
- 2. Critical thinking.** Nelson pointed out that the Conference is organized annually to provide an open forum for critical thinking about the major trends and issues affecting agricultural co-ops. Such critical thinking is essential with today's co-op evolution.
- 3. Invest in the next generation.** "Keep youth in the community. Agriculture has been unique in that it wanted to send its youth elsewhere," said Nelson. A fine example of keeping youth in rural communities was illustrated by Raymond Defenbaugh, president and CEO of Big River Resources Ethanol Plant. Two goals for the Illinois-based

co-op are to provide youth with employment opportunities and better commodity prices.

4. Capital. "The first component of risk-management is capital. Capital is the life-blood [of a co-op]," commented Nelson. This thought was shared by many at the conference. However, as several speakers cautioned, a good business idea does not necessarily mean that capital will flow to a new venture.

5. Taking risks. On the importance of taking risks, Jeff Nielsen, general manager, United Farmers Cooperative, remarked: "We are co-ops.... We do things that blow up."

6. Evolving business structures. Brad Boner, chair of Mountain States Lamb Co-op (MSLC), presented an overview of the unique structure of their Wyoming co-op. As co-ops like MSLC pursue innovative business strategies, organizations like Farm Foundation will continue to research and identify new institutional arrangements that have the

potential to effectively serve agriculture and rural communities in today's global economy.

7. Shaping the evolution of evolving business structures. Mark Hanson, attorney and partner at Lindquist & Vennum, PLLP, was the primary architect of the new Wyoming co-op statute. He focused on the conditions that created the need for new co-op laws and summarized four different co-op models that are being utilized today.

8. "Added services are increasing in importance." For United Farmers Co-op, a local co-op in Minnesota, adding value to their customers' lives is the focus of their "Promise" (or mission statement). Risk management and the desire to provide "customer-driven solutions" guided their pioneering effort to create a member-owned alternative insurance company: Parthenon Risk Partners.

9. The role of policy. Jean-Marie Peltier, president & CEO of the National Council of Farmer Co-ops (NCFC), evaluated the importance of policy makers in the future of agriculture. She observed that many of the 2005 changes in the House and Senate will influence how co-ops are treated by law-makers. Groups like NCFC and trade associations will continue to play an important role in shaping agricultural and co-op policies, especially those related to alternative co-op models.

10. Resources. Michigan State University Professor Chris Peterson, suggested that co-ops seek advice on innovation from universities, research and development firms, government agencies, and consultants.

11. Co-ops as learning business organizations. Nelson, while wrapping up the conference, commented that co-ops should be learning organizations, with dynamic processes leading to constant innovation and revitalization.

Editors' note: Judy Turpin contributed to this article.

For a full post-conference summary, program, and presentations: http://www.wisc.edu/uwcc/farmercoops04/2004_sum.html

New Grants

Co-op Development Foundation funds survey of cooperatives

Principle Investigator: Kim Zeuli, UWCC.

The UWCC has received a grant from the MSC Fund of the Cooperative Development Foundation (CDF). The \$5,000 grant

supports a comprehensive survey of Wisconsin cooperatives that will produce data on the role they play in the state's economy.

Formerly the Mutual Service Fund of the MSI Insurance Foundation, The MSC Fund was established in 2004 as an endowment fund of

the CDF, and has awarded more than \$1 million in grants to the co-op community over the last three decades. Over \$89,000 in grants were awarded in this round of funding.

For more info: http://www.cdf.coop/msc_fund/2004_awards.htm.

New Grants (continued from page 5)

Cooperative Innovation

Principle Investigators: Kim Zeuli, UWCC, David Trechter, UW-River Falls.

Today's agricultural co-ops face a number of challenges. The emergence of integrated agricultural supply chains is rearranging market relationships and redistributing market power. The businesses against which co-ops compete continue to expand in size through mergers, acquisitions, and firm growth. The globalization of agricultural markets is presenting new international opportunities and competitors for American farm products. Biotechnology also offers promising new market opportunities for agriculture.

How have co-ops in Wisconsin dealt with these changes? Innovative, entrepreneurial businesses are increasingly recognized as a critical contributor to the dynamism of an

economy, particularly during times of rapid economic change.

This research project will investigate agricultural cooperative innovation in Wisconsin. Besides quantifying the level and variation of innovative activities, it will also look into the sources of innovation. Finally, it will explore why some co-op are more innovative than others, and if the new co-op structures have any impact.

Understanding Wisconsin producers' interests in off-farm ag-related investment

Principle Investigators: David Trechter, UW-River Falls; Greg Lawless, UWCC.

Poor and volatile commodity prices seriously threaten the viability of Wisconsin

farms. One way producers may potentially limit their risk in this environment is to diversify their investments beyond production agriculture, and to this end many are exploring and investing in the so-called "value added" arena.

This study intends to measure the extent of Wisconsin farmers' activity and interest in making off-farm investments in value added enterprises. The research will explore the reasons motivating these investments; the potential pool of capital available; the rate of return and other terms that producers desire from these investments; whether and how producers' interest in such investments varies by geography, by commodity, by demographic background, etc; types of off-farm ag-related enterprises that producers are most interested in; and producers' educational needs related to making sound investment decisions.

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