

MEMORANDUM

The Hale Group, Ltd.

To: The Board of Directors of Farmer Cooperatives

From: Robert Ludwig, Principal
The Hale Group, Ltd.

Subject: Guidelines for Handling Tough Situations

This memo is intended to provide suggestions on how to handle some tough situations that you face as members of the Board of Directors for your farmer cooperative.

During a recent assignment with the Board of Directors of a farmer cooperative, Board members asked me for advice in handling some of the situations they find difficult to handle, and I offered my suggestions.

These suggestions are probably little more than good common sense. However, a number of my client's Board members found them helpful. It occurred to me that the enclosed suggestions might be the basis for a discussion among members of your Board – if any of them struggle with similar issues.

For more information or additional copies of the guidelines for distribution to each of the Board members, contact me at rludwig@halegroup.com or 978 777 9077.



Uncovering Growth Opportunities for Participants in the Food and Agribusiness System

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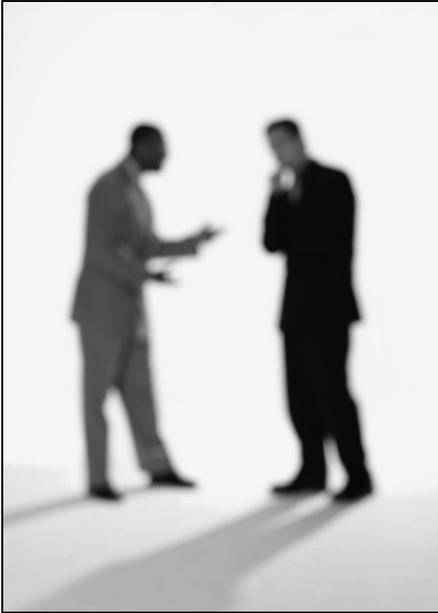
1. Explaining controversial decisions of the Board of Directors to a member of your co-op who is extremely upset with both your vote and the Board decision.

When talking with a fellow co-op member:

- Listen carefully. Let them vent their frustration for a bit. Try to understand their reasons for why they disagree with you and the Board's decision.
 - Acknowledge that the issue is complex and difficult.
 - Identify the parts of their argument that you genuinely agree with. Tell them that you agree with those points.
 - Establish as much "personal connection" with them as you can, such as: "You and I go back a long way. We've disagreed over the years, but we've always remained friends."
- Describe in simple terms the two sides to the argument:
 - Give two or three of the best points made on each side of the argument.
 - Keep your explanation basic. Most decisions boil down to a few key points on each side of the argument.
 - Explain honestly how you voted and why.
 - Don't stretch the truth. Don't mislead them by telling some facts, but not all of them. Be completely honest.
 - Explain that you used your best judgment, and voted your conscience.
 - Emphasize that smart people with good intentions can easily disagree on this complex issue. In the final analysis, each Board member has to make a judgment call.
 - State that the Board of Directors had a full debate on the topic. Each side was given plenty of opportunity to make their argument.
 - In the final analysis, the cooperative has to implement the wishes of the majority.

Preparing ahead of time:

- To be able to explain both arguments, it is best to prepare ahead of time by summarizing in your own mind the two or three best points made by each side during the Board discussion.
- Think about specific co-op members that are likely to talk with you about this issue. Don't be taken off guard and then get flustered because you didn't think it through ahead of time.
- Prepare to talk with these people in particular.
- Rehearse in your own mind how to use the two or three talking points on each side of the argument when explaining the decision to these members.



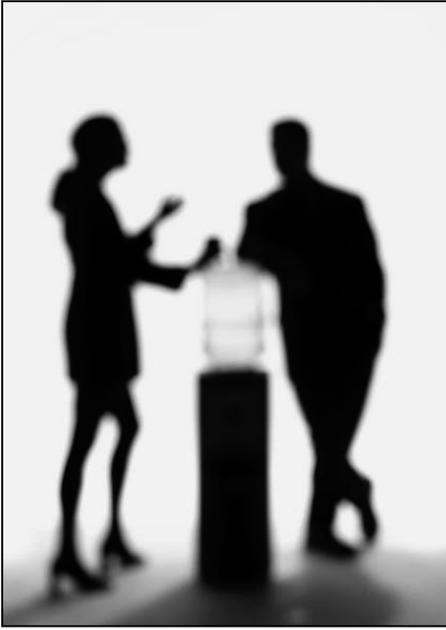
2. **Explaining controversial decisions of the Board of Directors to a member of your co-op who is extremely upset with the Board decision but agrees with the way you voted.**

- Use the above suggestions in issue #1 above.
 - Be absolutely sure you do not make disparaging remarks about the Board of Directors, Board members who voted differently than you did, or the management team.
 - Emphasize that smart people can disagree on the controversial issues.
 - Emphasize that the Board process was fair.
 - **Be sure to state clearly that you support the Board's decision.** Now that the Board has made a decision, it's your responsibility to support the majority.
- Remember that if Board members do not support the full Board's decision, chaos will result.

3. **Explaining your vote on a Board decision that a neighbor of yours thinks was not in the best interests of local co-op members.**

- Explain that three of your duties as a Board member are to:
 - Explain to the Board how a pending decision would affect producers in your area or producers in any other segment (big versus little producers, young producers versus producers about to retire, etc.).
 - Vote for the best interests of **all** members of your cooperative.
 - Protect the interests of the cooperative as a whole business.
- Explain why you believe your decision was in the best interest of the co-op and **all** members.





4. Handling frustrations you have with another person – whether it's the Chairman of the Board, a fellow Board member, or a member of the management team.

- When frustrations, misunderstandings, or conflicts arise between yourself and another person, first talk directly to the person you are frustrated with, disagree with, or have a misunderstanding with.
 - Do not tell others about the issue before talking to the person involved.
 - Talk to that person in open, honest dialogue regarding the issue.
 - Ask the other person why they did what they did.
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- Listen carefully to the other person's viewpoint.
 - Try to defuse the emotion of the situation, as much as possible.
 - Seek to reach a solution that addresses all concerns involved, if possible.
 - If your one-on-one attempt fails, take it "up one level" to that person's supervisor (if the issue is with an employee) or to the Board Chairman (if the issue is with a fellow Board member).
 - Don't talk about conflicts to people who aren't involved in the issue.
 - If it cannot be resolved at the "second level," take it up the authority structure one step at a time.
 - If you fail to achieve satisfaction, ask the Board Chairman to help with a solution.
 - If all else fails, ask the Board Chairman to put it on the agenda for a Board meeting.
 - Keep the disagreement on the idea level and do not allow it to become a personal vendetta against a specific person.
 - Seek to resolve the issue at the "lowest level" possible.

Bob Ludwig serves as Principal for The Hale Group. During his thirty year consulting career, he led assignments for all types of U.S. and international farmer cooperatives. Bob's areas of expertise include strategic planning, financial management, cooperative governance and consensus building.