

## **Outsourcing to Magnify & Maximize the Resources of An Organization**

**By Janice M. Dahl CAE**

**Executive Director, United Soybean Board**

*The United Soybean Board is made up of 62 soybean farmers nominated by their fellow farmers and appointed by the United States Secretary of Agriculture to invest something called “checkoff” dollars in marketing, research and informational programs to promote soybeans in domestic and international markets. Since the “checkoff” is a mandatory program self-imposed by farmers on their entire community, the United States Department of Agriculture has an oversight role making sure the Board’s policies and procedures adequately protect the investments and that they stay within the constraints of the legislation which require that there is no lobbying or membership type activities. The Board of Directors holds more of a stakeholder role, representing all soybean growers, the number in 2004 calculated at 663,880. The program operates under a mandatory 1% salary cap and 5% administrative cap and outsources by contract all programs and support services, directly employing only a Chief Executive Officer and Executive Director. In FY 2004, the United Soybean Board outsourced \$40 million in programs and services.*

Outsourcing, a buzzword in industry and association management in the late 90’s was already a deeply imbedded way of life in the United Soybean Board (USB) by the time others began talking about the trend. Today, the Board is a solid case study with its 14-year history of managing the challenges encountered and maximizing the successes achieved in running a large organization dependent upon outsourcing all services and programs.

Many association professionals are mystified by the apparent lack of traditional structure of the United Soybean Board. From the outside, it seems a large organization with significant expenditures and presence, yet a glance shows no staff and no building. It is a unique hybrid organization that could be, at its stakeholders’ request, folded up and put to rest in relatively short time. The flexibility and almost instant access to external expertise to meet emerging market challenges and the inherent lack of human resources issues are some of the key benefits in the outsourcing system. Some of the counter-balancing negatives are a constant need for aggressive strategic coordination and cost control that must be addressed through management and procedures.

### **Established As an Outsourcer**

The United Soybean Board was established with embedded administrative and salary caps that virtually mandate outsourcing as a way of life. The organization is stakeholder-based, its funding based in a self-assessment called a “checkoff” placed by soybean farmers on all soybean sales. Because the organization represents all soybean farmers in this manner, it falls in the unique “quasi-governmental” category and the oversight by the United States Department of Agriculture, and must follow strict guidelines on the use of the funds, i.e. no lobbying or membership activities. For the purposes of the case study, and subsequently

the management of the organization, this translates into the need to tackle the red tape of government as well as find ways to keep the organization nimble enough to be relevant in our times.

The idea behind the organization was the aggressive linkage between outsourcing and dynamic strategic planning. The organization, operating on a budget of \$30 to \$40 million a year over the last decade, “owns” a management staff of only two people, yet runs a complicated network of contracts and subcontracts to carry out its mission of international and domestic marketing, promotion, education and information of soybeans and soy products.

This structure allows a unique flexibility to bring the best minds available to address the priority issues of the Board. This provides obvious challenges in overall management, board of directors’ policy development and implementation, proposal management, cost control, evaluation and performance measures. For the United Soybean Board, it is interesting to note that the founding documents set the core philosophy of the Board regarding outsourcing that remains with the organization today, and also predicted many of the challenges the Board would meet.

### **The Founding Documents Spelled It Out**

*The Evaluation of the Effectiveness of the American Soybean Association/American Soybean Development Foundation, Soybean Program Evaluation Steering Committee, April 3, 1991, Booz, Allen & Hamilton,* was an important historic document as it set out the guidelines that would become the skeleton and the cultural ground rules for the Board, particularly in the area of outsourcing. The documents, written nearly 14 years ago, continue to be amazingly current in tone. “USB must be organized to be truly independent so as to ensure that grower monies are invested as effectively as possible. ...USB must demand results for its investments, and should operate as an investor for all soybean growers....” In another statement, the Booz, Allen & Hamilton report talks specifically about the need for the Board to address its political issues to be able to award contracts to the most effective parties, taking on the internal issues of the day which included the need to separate the Board from the industry association [The American Soybean Association] in the contractor/contractee relationship. The report also addressed the need for the Board to carry on an independent strategic planning process and to link it with evaluation of results. In the ensuing years, this was to become a step-by-step process which will be discussed further in this article. It also said that the contracting process should be based on an integrated strategic plan with clearly stated objectives, a rigorous procurement process with clear contract requirements, a fair bidding process, and results verification. Those words were to become gospel to the organization as it grew to maturity, and ultimately set out a course for the Board to follow in establishing procedures for outsourcing.

In closing the report, the Booz, Allen & Hamilton consultants made a comment likely to make a lot of association management professionals think hard. “Our overall conclusion is that USB’s success is less related to organization structure than to developing a demanding investor-oriented state of mind.” In USB’s case, the organization has grown complex supports for procuring proposals and services, as well as an internal system for measuring the impact and performance of those investments. In a more traditional association, a staff would present the Board with a set of projects and the Board would simply adopt them.

In this model, the Board sets strategies, builds RFPs, and entertains proposals from all over the world. These are then subject to budget analysis and contract negotiation, and ultimately must be managed. It is an interesting perspective, and one to consider. In an organization where structure is driven by function, and where many would deem there is little structure to be seen, there come a unique set of challenges.

You can turn to many association and business management texts for analogies.

### **Looking For Structure in a Contractor System**

An association model such as the United Soybean Board is a unique sort of “ecosystem,” an analogy drawn in *A Simpler Way* by Margaret J. Wheatley, Myron Kellner-Rogers. Because the structure is so spread out, with changing and dynamic needs, and a set of contractors and subcontractors that must be drawn to and perform under a common set of strategic goals and measures, there must be some system at work or the structure simply folds under its own weight. Wheatley and Kellner-Rogers make this point, “In ecosystems, members seem to have access to the whole system. The quality of their communication is dazzling.” The United Soybean Board had to work towards that kind of system, but it did not get there without a number of false starts and its share of failures.

The Board sought to create a model that would, as Wheatley/Kellner-Rogers say, “emerge and recede” as it was needed and afford the organization the flexibility to respond to the changing environment. Considering that the organization is categorized not as the more familiar 501C-3 or 501C-6 but as “Quasi-Governmental” under the oversight of the United States Department of Agriculture, this sort of charge for flexibility while meeting the oversight requirements is a double-edged sword.

Explaining the emergence of USB’s outsourcing system may best show the evolution of the organizational depth in managing it. USB’s outsourcing system in the beginning was entirely manual, based on a paper-intensive Pre-Proposal and Request for Proposal (RFP) system. Today, the Board has moved to an electronic data- and web-based system that allows for the complete history of a project from RFP through final report to be captured electronically and shared. The significance of this is multi-faceted, as it impacts the many faces of the outsource family including the board members, the project managers, the outsourcers and in some cases the potential outsourcers. The system is built to allow tiered access according to password-protection, each level providing more in-depth levels of information on the project. The highest level of access, of course, allows conversations about the most confidential information including project performance, management and budgetary information. For investors, the farmers, this means the information is captured in a format that can be easily shared. Therefore, there is less duplication of efforts and more farmers are privy to the research, education and information generated by their investment.

### **Growing the Outsourcing System to Maturity**

The outsourcing system’s external “face” is located on the organization’s website at [unitedsoybean.org](http://unitedsoybean.org) under the “Contractor Workshop” and offers a registration under which the potential contractor lists core

competencies and the type of work they would like to do for USB. When the organization launches an RFP, it also selects the core competencies it is seeking. An email along with the RFP is automatically generated and distributed to the companies whose qualifications match with the RFP in question. USB mandates now that all proposals must be submitted electronically on the website via a specialized format.

*The Complete Guide to Nonprofit Management*, a book by the association management firm Smith, Bucklin & Associates, asserts that there is no universally applicable model for a good RFP and advises organizations to spell out what they want the consultant to accomplish and how the consulting firm will execute the project. For the United Soybean Board, the advice seemed on target as we abandoned outside models of RFPs and began asking for responses based on our own priorities. The precise and prescribed format brings an “apples-to-apples” comparison when Board members are looking at proposals and literally forces proposers to write their proposals against the strategic goals of the Board. Bells and whistles don’t work in this format, eliminating one of the initial problems USB had with its paper-heavy format of its initial structure which seemed to encourage proposals to be more creative than substantive. What Smith, Bucklin said that was right on target for USB was that the organization needed to spell out exactly what we wanted the contractor to do, not accept blue sky ideas for what someone wanted to do for us.

What Glenn Tecker espouses in “*Building a Knowledge-Based Culture*” is what USB tried to drive into its system at every step, bringing a reflection of the organizations core values, strategic goals and needs and telling the potential outsourcers exactly what we wanted them to deliver. It was an invitation to be part of the United Soybean Board’s dynamic team. The challenge was how to make that invitation work for our “ecosystem.”

The outsourcing system has had three distinct phases. The first phase, at the time when there was a single entity holding all the outsourcing contracts, was distinctly (outsource) staff-driven and allowed the board members little play in the development of the plan. This phase, to reflect on the notes of the Booz, Allen & Hamilton report, was distinctly counter to the desires of the Board’s founders and resulted in some Board dissatisfaction. Ultimately, it caused the Board to move into a second phase.

The second phase was one of a Pre-proposal system where the Board received masses of open pre-proposals aimed at the committees of the Board but un-targeted to any specific goals or strategic objectives. It became the Board’s job to weed through what were literally thousands of proposals to find those that met the needs and the goals of the Board. During this same phase, the United Soybean Board was fine-tuning its strategic planning processes, bringing what Glenn Tecker would reference as greater “insight and capacity” to the Board’s processes. No longer would the Board’s one page Long Range Strategic Plan suffice, though the Board had doggedly used the plan to guide itself. Now, the Board drilled down through the strategic plan through each layer to implement action plans with goals, objectives, strategies, constraints and opportunities, performance measures and evaluation at each layer. The Board moved uniformly to learn its way to adopt Results-Oriented Management (ROM), an approach developed and advocated by consultants Promar International. The ROM process focuses the Board’s approach on constraints or opportunities rather than on the simple implementation of projects. The significant shift in

philosophy brought an enormous change in attitude to the organization as the concept began to be understood. Results-Oriented Management demands deliverables in terms of outcomes, and those outcomes are spelled out in the projects in terms of change, not just project completion.

In terms of the Board as a whole, by the closure of phase two, there was a shift to hold itself and its consultants accountable for impact with the dollars with which they were entrusted. The Board focused on more than spending dollars, but began spending time in earnest on evaluating the impact of those expenditures and taking steps to eliminate projects and programs that were not having significant impact against the Board's goals. It was this leap that took the Board to the third phase.

The third phase began an active and aggressive outsourcing program in which RFPs specifically outline what work the Board is seeking, asking the potential contractor to write the proposal against the Board's own frame of reference, its Action Plan. In other words, proposals are framed against the Board's plan of attack, not vice versa. It was in this phase where the United Soybean Board really matured into a business culture, coming to understand and recognize its own posture in the industry. The core, of course, was in its founding documents but as with any organization, it had to learn its way to maturity and develop the processes to support itself. In this phase, the Board grew its strategic planning processes to link with the budgeting processes, eliminating the historic assignment of budget to traditional committees and turning the budgeting processes over to the full Board who now assigns the budget by strategic priority through a computer modeling process with hand-held keypads.

The strategic model utilizes a combination of prepared materials, presentation and discussion to lead the board in strategic decision-making and resource allocation. The Board utilizes the keypads during the discussion to rate "drivers" affecting the strategic importance of an issue. These drivers, in turn, give a weighted score to the issue and impact its budgetary allocation. As examples, the Board rates, on a defined scale of 1-5, the "overall long-range strategic priority" of an issue for the industry and the Board; the "Board's capabilities and available resources to impact the issue"; the "viability of the market environment to allow their efforts to succeed or fail"; the "risk" involved in the investment; and the "time horizon" for expected results. All these factors drive the priorities and allocation of resources.

### **Keeping the Pulse With the Board**

In *Leading At The Edge Of Chaos, How To Create The Nimble Organization*, Daryl R. Conner talks about the alignment between success factors and market as a "prized strategic condition" and prized it is in the United Soybean Board. USB would espouse to Connor's formula for the organizational dream of identifying a unique formula for prosperity and replicating it for as long as possible. An organization, however, must be certain that quality and productivity standards are maintained, a key in an outsourcing environment. And, an organization must focus on customer demands and competitive pressures. Connor's warning is valid and USB would also take heed and has put the controls in place. In an association where all services are outsourced, that dictates that the responsibility for the "pulse" must stay with the Board and cannot be entrusted to the consultant.

In *Building a Knowledge-Based Culture*, Glenn H. Tecker, Kermit M. Eide, and Jean S. Frankel, define the three key attributes of a knowledge-based culture as 1) “a sense of direction by clarity and consensus on what will constitute success,” 2) “systems, structures and processes that promote functioning that promote effectiveness and efficiency,” and 3) “culture and climate based on beliefs, assumptions and values that encourage behavior compatible with the kind of work required to achieve desired outcomes.” It was these three things that the Board aimed at in this phase of its outsourcing evolution.

### **Strong Working Plans & Policies**

The sense of clarity and consensus is created in a common decision-making process that results from widely distributed and utilized documents that guide the Board in its everyday activities. In other words, the plans don’t sit on the shelf. They are working documents which continually change to meet the dynamic needs of the Board and the environment. In the outsourcing model, these documents have been very important in focusing the 300-plus consultants on the goals of the Board, and occasionally to rein in a consultant with a private agenda. It is important to note here that the Board also has a very strong internal policy component – expected with a quasi-governmental body. This is critical with such a large and diverse outsourcing body at work. The internal policies guide such documents as contracts and subcontracts and their components, projects, communications and a plethora of major and minor factors.

### **Cutting Edge Internet Investment Led to Success**

On Tecker’s second point, creating systems, structures and processes that promote effectiveness and efficiency is a constant challenge. The Board first entered the internet market in 1994 with a very visionary approach to data-basing and storage of information, and made a huge investment in a system that eventually imploded. The technology of the day simply was not adequately developed enough to encompass the vision. It was a unique internal project management and information system, one USB sees now as being truly ahead of its time. When the Board abandoned ship, so to speak, it had invested close to a million dollars. Though the initial investment was a failure, it enabled the Board to make a later investment in a revolutionary system that likely would not have been possible without the initial work. This single example is important if only to show that failures can be successes in their own right. In 1998, the Board, nearly exasperated with its huge investment and lack of results, invested in an evaluation into its internet investment.

Doug Sorensen, Principal Consultant with SpiderWorks International Ltd., in the *Internet Information System Evaluation and Recommendation Project*, was able to tell the Board what it intuitively knew, that the system was “unfocused and fragmented.” Regardless, it maintained that “much valuable content and functionality does exist within the current information systems and will be of use in the future information systems.” Probably most important, the evaluation identified some key steps for the Board to take control of the system, manage its spiraling expenses, and gain performance, three measures it had been unable to gain prior to employing the consultant.

## **Communications Challenges With Outsourcers**

One of the challenges the Board has faced in outsourcing is finding a way to encourage its contractors to communicate with one another as well as with the Board members, and then to facilitate those communications. In a number of Board-funded studies, these types of communications were repeatedly cited as an opportunity for the Board to improve its performance. The Board commissioned Stephanie Patrick to do a study in July 1999 called *Information Collection, Analysis and Prioritization for Issues Affecting U.S. Soybean Growers: Evaluation and Recommendation*. In her conclusions, Patrick talked about the key issue of outsourcing in amassing the divergent information and eliminating the constant seeming need for separate identity and positioning of outside contractors. Patrick identified the need for more centralized information exchanges, particularly those becoming increasingly viable through new technology. Yet the outsourcing culture seemed then, and continues to seem resistant to the attempts to change to a more centralized communications focus.

A number of web-based communications systems in USB have failed, most for the most obvious reason. Patrick's perception is that consultants have little to gain by sharing information broadly in a context where other outsourcers can utilize it, and everything to gain by holding it. Most prefer to send information to email lists rather sharing in a common context, and are unappreciative of the issues created by the volumes of email – duplicative, repetitive, redundant, and irrelevant along with the critically important – that Board members and staff may have to wade through. The consultant's survival plan is to make themselves seem most relevant to the board members.

In the United Soybean Board, it becomes paramount to management to keep control of that tendency by hundreds of consultants so that the Board gets concise, accurate and relevant information. This, for the Board, is done through a variety of tools, some cultural and some contractual. On the cultural side, the Board itself has reorganized to encourage contractors to share information and work collaboratively rather than hoard information. The Board has also come to centralized communications philosophies and procedures for contractors which prescribe common treatments form materials and reward common behaviors in contractors. These bring both the cultural and contractual tools into play since they reward and recognize behavior, but demand it in contractual terms.

## **Performance Based Culture**

That brings us to Tecker's third attribute where you actually work to establish the culture and climate to support the outcome that you want. It's a critical step in an outsourcing model. The United Soybean Board had to create a strong, dynamic and almost aggressive Board culture in order to overcome the lack of staff. The Board's own beliefs, assumptions and values had to be strong enough in defining its outcomes to transmit its expectations for performance to individual outsourcers. It's been an evolutionary process for the Board, and not without its glitches. Certain consultants find they are not well suited to the Board's style while others seem to thrive. Without a doubt, it is a high performance society with little mercy for non-performers.

The Board devotes a full two percent of its program budgets annually, or about \$500,000 to auditing and evaluating its own work, showing a commitment to internal policing and insight into the effectiveness of its programs. The evaluations aggressively ask about the impact of programs, with outside third-party investigators asking standard objective questions and bringing the Board in-depth studies with which to make decisions. The goal of the Board is to create a culture of open and aggressive evaluation of programs in which poor performing programs are eliminated, but USB continues to struggle with the internal use of the evaluations by the committees. There is some internal debate about the validity of evaluations when they are controversial or negative about a longstanding or “much-loved” program. This year, the Board has adopted some new standards for use of the evaluations in an attempt to move further towards its “investor mentality” goal, requiring the committees to respond to the Board on the use or “non-use” of the evaluation. This keeps the evaluation from being shelved quite so easily, requiring some level of accountability. On the counter side, it also allows the Board a valid way to answer an evaluation that is unsound or off-base and needs to be shelved.

### **Changing From Paper to Electronic**

One of the changes which occurred early in the evolutionary process of outsourcing is noteworthy for its impact on the entire system. The format change, paper to electronic, was a significant challenge for the organization for a number of reasons but two reasons came to the forefront because they were highlighted as board member issues. The first was a lack of access to the internet, exacerbated by the lack of rural internet service for the 62 board members throughout the grain belt of the U.S. and/or some board members with little or no computer skills. The Board, significantly slowed its changeover due to this issue, and has still not completely adopted the full scope of its web-based system capabilities (such as online voting on RFP proposals, commenting on and evaluating proposals and reports, etc.). However, it is noteworthy that the Board made significant investments in the system and has continued to move into adoption of the contractor portions of the system.

The second challenge, interestingly, was a reluctance to fully utilize the database of contractors rather than constrict it by some false parameters so that the number of responses would be more manageable or so that “preferred” vendors would be selected. For USB, solving this hurdle involved driving additional policies to mandate not only mandatory posting of all RFPs, but also the level at which the postings occurred. The lesson of transparency, often talked about in association management circles was not as easily carried into practice as it might have seemed it would be.

In both cases, the electronic culture has given the culture of the Board an increasingly transparent face and increased its ability to transmit information in a consistent manner to its leadership. In an outsourcing environment, it has enabled USB to create pools of shared materials in which the user can not only survive but thrive.

If you had walked into the United Soybean Board even five years ago, you would have encountered stacks and stands of three-ring binders documenting the hundreds, even thousands of quarterly and annual reports

documenting the Board's ongoing and historical projects. Today, those reports are entered and managed electronically and are accessible for cross-referencing by multiple managers at the state and national level. In centralized database-driven websites, USB and the state soybean boards are now able to share all types of information from brochures to books, research results to whitepapers, all aimed at eliminating duplication and maximizing results. Today, that access is granted within the organizations working on similar research and marketing projects, but the Board's goal is to someday be able to more broadly cross-link the information to and through the industry.

### **Cost Control a Critical Element**

The issue of cost control is one last all-important category to be addressed in the management of outsourcing, and particularly in outsourcing a large magnitude of dollars and/or services. The United Soybean Board found the answer in a cross-section of tools that include a budget analyst and a budget handbook

Knowing that a totally flat system of hundreds of contracts would be an almost insurmountable coordination nightmare, the Board set up a centralized tiered system of primary contractors under which subcontractors can be hired. The primary contractors can be set up to either manage subcontractors or actually implement projects, depending on the pleasure of the Board. The policies of the Board, as well as the actual legislation which set up the Board, limits the number of primary contractors allowed. This structure also allows us to actively evaluate and negotiate these contracts based on industry standards, and affords USB a level of continuity in the contractor staff which is the closest to the Board, amounting to what is a "near-staff." The Board actively and aggressively negotiates the primary contracts using a team of negotiators including legal, accounting, and budget analysis backup.

Even at the subcontractor level, the United Soybean Board uses a contracted Budget Analyst to analyze all proposals and budget attachments, utilizing a budget handbook established and updated annually by the Board with figures that combine the Board's accepted norms for industry standards in all categories. All proposals must meet the standards in the budget handbook or must be individually scrutinized by the analyst, and any deviation from the norms must be justified in order to proceed. These cost controls have been very successful in identifying and either eliminating or renegotiating outlier proposals. They have also been successful in helping the Board target non-compliant costs which may have slipped through the cracks prior to the additional scrutiny. The cost control measures, while exhaustive, represent the types of measures a for-profit organization might take.

In 1991, United Soybean Board launched its program by outsourcing all its activities in what was then considered a revolutionary new way of doing business. Its board members and staff continued that process of change over the next 14 years, maturing their processes through an active consultation and exploration of new procedures, techniques and technologies to become today what is truly a revolutionary association approach to outsourcing. A \$42 million program with electronic capabilities for proposal submission, management and reporting, envisioned and paid for by soybean farmers who in 1990 had this vision of the future.

## **Biography**

Janice Dahl CAE, Executive Director for the United Soybean Board, has more than 18 years experience in association management. At the top of the list are the strategic and action planning of the Board as it determines the best investments for the farmers' checkoff dollars. She is responsible for the organization's processes, policies and procedures. Janice came to USB in 1998 from the American Sheep Industry Association in Denver where she specialized in communications and member services. Her background includes seven years as an award-winning newspaper reporter and photographer. She holds a BA in Technical Journalism from Colorado State University with a specialty in Animal Science. She's been an active member of ASAE for 18 years.

## **Resources**

Booz, Allen & Hamilton, *Evaluation of the Effectiveness of the American Soybean Association/American Soybean Development Foundation* (Self-published, April 3, 1991)

Conner, Daryl, *Leading At The Edge Of Chaos; How To Create The Nimble Organization*, (New York: John Wiley & Sons, Inc., 1998)

Patrick, Stephanie, *Information Collection, Analysis and Prioritization for Issues Affecting U.S. Soybean Growers: Evaluation and Recommendations*, (Self-published, July 1999)

Smith, Bucklin & Associates, *The Complete Guide to Nonprofit Management*, (New York: John Wiley & Sons, Inc., 1994)

Sorensen, Doug, *Internet Information System Evaluation and Recommendation Project*, (Denver: SpiderWorks International, Ltd., July 1998)

Soybean Promotion, Research and Consumer Information Act, 1990

Tecker, Glenn, Kermit Eide and Jean Frankel, *Building a Knowledge-Based Culture* (Washington, D.C.: American Society of Association Executives, 1997)

Wheatley, Margaret and Myron Kellner-Rogers, *A Simpler Way* (San Francisco: Berrett-Koehler Publishers, Inc., 1996)